

**Testimony of Alan Schwartz**  
**Regarding Raised Bill 971**  
**An Act Concerning Small Business Retirement Plans**  
**Committee on Commerce**  
**February 24, 2009**

I am Al Schwartz and I live in Ellington CT. I manage a Third Party Pension Plan administration firm and have offices in Glastonbury CT. and Westborough MA. We employ 10 people in Glastonbury and 6 people in Westborough and administer about 700 retirement plans. Most of our customers in our Connecticut office are Connecticut based. In addition, our Massachusetts office services many customers based in Connecticut. The vast majority of our clients meet the small employer definition under ERISA of having fewer than 100 participants, including our own firm. I have been providing services to retirement plan sponsors for over 35 years so I think I understand the small case market.

I want to express my opposition to Raised Bill 971. This is a reintroduction of a Bill presented last year. Later today you will hear statistics that support other speaker's positions that are also in opposition to the bill. Therefore I want to speak from the point of view of someone who speaks regularly with small employers about their plans.

The stated purpose of this bill is to "establish and administer a retirement plan that will be available to small employers and self employed individuals." Since small employers can already establish plans, you need to look further in the bill to find out why the state would consider this. The Bill says "the Comptroller shall seek to minimize costs by helping small employers and individuals purchase retirement savings plans, arrangements and investments through economies of scale, standardization and other measures."

The purpose appears to be to have a mechanism for low cost programs. My opposition is based on several factors.

First – Cost is not the only thing that employers look at in establishing plans. If cost were the sole purchasing factor everyone would be driving small 4 seat cars, but they don't, because consumers have a variety of needs that go into the purchasing decision. My clients look at value. The most important of this is local service. They deal with me and know the names of the administrators and consultants who work for me. They deal with Yvonne or John or Jess, not an unknown person at the other end of 800# in California or overseas. They deal with people here in Connecticut.

If my client calls and says that his employees read an article about 401(k) plans in the Courant or New Haven Register and they don't understand how it affects them and asks that I come to explain it, in their lunch room, over pizza, I will do that. A low cost 800# shop will not

Second- for businesses that want to establish a low cost plan, the ability to do so already exists. The Congress established these vehicles many years ago. If the employer wants to establish a plan where only the business makes contributions on behalf of their employees, similar to a Profit sharing plan, they can do so through a Simplified Employee Pension Plan called a SEP. If they want employees to be able to save for their own retirement in addition to the employer contribution, they can establish an employer sponsored Simple IRA. The key phrase in both of these is SIMPLE, therefore low cost and minimal administration

Third- I believe that government should do what it does best which is to set policy and to govern and that Third Party Administrators should do that they do best which is design and administer retirement plans at the local level. Government should not get involved in providing services that the market place provides, including establishing types of plans the US Congress has already given small employers the ability to establish

The bill says that the state "may recover expenses incurred to initiate, operate and administer the program pursuant to this subsection (a) of this section from program assets." In effect, it means taking monies from participant accounts to pay the state for this program. In this economy, I don't think that the state should be establishing plans that discourage Third Party Administrators from employing people, here in Connecticut, to perform these services nor should they establish plans that in effect may add a layer of fees

I want to thank you for your time today to express my views about this Bill.